

BEFORE THE DIVISION OF INSURANCE

STATE OF COLORADO

FINAL AGENCY ORDER O-06-054

IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY,

Respondent

THIS MATTER comes before the Colorado Commissioner of Insurance (the "Commissioner") as a result of a market conduct examination conducted by the Colorado Division of Insurance (the "Division") of State Farm Mutual Automobile Insurance Company (the "Respondent"), pursuant to §§ 10-1-201 to 207, C.R.S. The Commissioner has considered and reviewed the market conduct examination report dated March 10, 2005 (the "Report"), relevant examiner work papers, all written submissions and rebuttals, and the recommendations of staff. The Commissioner finds and orders as follows:

FINDINGS OF FACT

1. At all relevant times, the Respondent was a corporation licensed by the Division to conduct the business of automobile, and health and accident insurance.
2. In accordance with §§ 10-1-201 to 207, C.R.S., on March 10, 2005, the Division completed a market conduct examination of the Respondent. The period covered by the health portion of the examination was July 1, 2003, to June 30, 2004; and the period covered by the automobile claims portion of the examination was October 1, 2003 to March 31, 2004.
3. In scheduling the market conduct examination and in determining its nature and scope, the Commissioner considered such matters as complaint analyses, underwriting and claims practices, pricing, product solicitation, policy form compliance, market share analyses, and other criteria as set forth in the most recent available edition of the examiners' handbook adopted by the National Association of Insurance Commissioners, as required by § 10-1-203(1), C.R.S.
4. In conducting the examination, the examiners observed those guidelines and procedures set forth in the most recent available edition of the examiners' handbook adopted by the National Association of Insurance Commissioners and the Colorado insurance examiners handbook. The Commissioner also employed

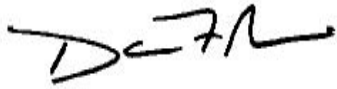
other guidelines and procedures that he deemed appropriate, pursuant to § 10-1-204(1), C.R.S.

5. The market conduct examiners prepared the Report. The Report is comprised of only the facts appearing upon the books, records, or other documents of the Respondent, its agents or other persons examined, or as ascertained from the testimony of the Respondent's officers or agents or other persons examined concerning Respondent's affairs. The Report contains the conclusions and recommendations that the examiners find reasonably warranted based upon the facts.
6. The Commissioner has fully considered and reviewed the Report, any and all of Respondent's submissions and rebuttals, and all relevant portions of the examiner's work papers.

CONCLUSIONS OF LAW AND ORDER

7. Unless expressly modified in this Final Agency Order (the "Order"), the Commissioner adopts the facts, conclusions and recommendations contained in the Report. A copy of the Report is attached to the Order and is incorporated by reference.
8. The facts as ascertained by the examiners in the Report indicate that there are no violations of Colorado law concerning the areas of compliance examined. Accordingly, the Commissioner is ordering neither corrective actions nor a monetary penalty against Respondent. The Commissioner commends Respondent on its excellent compliance efforts in the areas examined.
9. Pursuant to § 10-1-205(4)(a), C.R.S., within sixty (60) days of the date of this Order, the Respondent shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.
10. This Order shall not prevent the Division from commencing future agency action relating to conduct of the Respondent not specifically addressed in the Report, not resolved according to the terms and conditions in this Order, or occurring before or after the examination period.
11. Copies of the Report and this final Order will be made available to the public no earlier than thirty (30) days after the date of this Order, subject to the requirements of § 10-1-205, C.R.S.

WHEREFORE: It is hereby ordered that the Commissioner adopts the final examination Report dated March 10, 2005, and since no violations of Colorado law were identified by the examiners, imposes neither a monetary penalty, nor corrective actions concerning the areas of compliance examined. The above Order is hereby approved this 28th day of September, 2005.

A handwritten signature in black ink, appearing to read 'D-F-R', with a horizontal line extending from the end of the signature.

David F. Rivera
Commissioner of Insurance

CERTIFICATE OF MAILING

I hereby certify that on the 28th day of September, 2005, I caused to be deposited the **Final Agency Order No. O-06-054 IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY** in the United States Mail via certified mailing with proper postage affixed and addressed to:

Mr. Vincent J. Trosino, President
State Farm Mutual Automobile Insurance Company
One State Farm Plaza
Bloomington, IL 61710

Mark Taylor Esq., Corporate Attorney
State Farm Mutual Automobile Insurance Company
One State Farm Plaza
Bloomington, IL 61710

A handwritten signature in black ink, appearing to read "Dolores Arrington". The signature is fluid and cursive, with the first name "Dolores" being more prominent than the last name "Arrington".

Dolores Arrington, MA, AIRC, ACS
Market Conduct Section